SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2001

OR

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

Commission file number Q4823

ACME UNITED CORPORATION
(Exact name of registrant as specified in its charter)

CONNECTICUT	06-0236700
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1931 BLACK ROCK TURNPIKE, Fairfield, Connecticut	06432
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (203) 332-7330

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No |_|

Registrant had 3,449,505 shares outstanding as of October 31, 2001 of its $2.50 par value Common Stock.

ACME UNITED CORPORATION

PART I. FINANCIAL INFORMATION

ACME UNITED CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(all amounts in thousands, except per share data)

	September 30 2001	December 31 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 639	$ 22
Accounts receivable, less allowance	8,820	5,973
Inventories:		
Finished goods	6,517	7,980
Work in process	507	493
Raw materials and supplies	1,673	1,549
	8,697	10,022
Prepaid expenses and other current assets	816	433
Total current assets	18,972	16,450
Property, plant and equipment:		
Land	167	180
Buildings	2,026	2,007
Machinery and equipment	5,481	6,545
	7,674	8,732
Less accumulated depreciation	5,418	5,610
	2,256	3,122
Other assets	1,424	1,374
Goodwill, less accumulated amortization	161	172
Total assets	$ 22,813	$ 21,118

See notes to condensed consolidated financial statements.

ACME UNITED CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS - continued
(UNAUDITED)
(all amounts in thousands, except per share data)

	September 30 2001	December 31 2000
LIABILITIES		
Current liabilities:		
Notes payable	$ 56	$ 504
Accounts payable	2,404	2,260
Other accrued liabilities	3,121	3,139
Current portion of long term debt	3,346	2,085
Total current liabilities	8,927	7,988
Long term debt, less current portion	4,911	4,925
Other	428	313

Total liabilities	14,266	13,226
STOCKHOLDERS' EQUITY Common stock, par value $2.50: authorized 8,000,000 shares; issued 3,613,312 shares, including treasury stock	9,033	9,033
Treasury stock, at cost-160,207 shares in 2001 and 105,007 in 2000	(809)	(648)
Additional paid-in capital	2,038	2,038
Retained-earnings deficit	(52)	(1,152)
Accumulated other comprehensive income (loss):		
Foreign currency translation adjustment	(1,456)	(1,379)
Derivative financial instrument losses	(207)	-
	(1,663)	(1,379)
Total stockholders' equity	8,547	7,892
Total liabilities and stockholders' equity	$ 22,813	$ 21,118

See notes to condensed consolidated financial statements.

ACME UNITED CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
(all amounts in thousands, except per share data)

	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
Net sales	$ 9,014	$ 8,760	$ 27,606	$ 27,003
Costs and expenses:				
Cost of goods sold	5,543	5,612	17,233	17,619
Selling, general and administrative expenses	2,834	2,452	8,710	7,608
	8,377	8,064	25,943	25,227
Income before non operating items	637	696	1,663	1,776
Non operating items:				
Interest expense	211	273	621	713
Other income (expense)	(8)	(96)	95	(105)
Income before income taxes	418	327	1,137	958
Income taxes	13	25	37	35
Net income	405	302	1,100	923
Other comprehensive (expense) income -				
Foreign currency translation	(30)	(44)	(77)	(109)
Cumulative effect of change in accounting for derivative financial instruments	-	-	(104)	-
Change in fair value of derivative financial instruments	(52)	-	(103)	-
Unrealized gain on available-for-sale marketable equity securities, less reclassification adjustment for gain included in net income	(274)	-	-	-
Comprehensive income	$ 49	$ 258	$ 816	$ 814
Basic earnings per share	$ 0.12	$ 0.09	$ 0.31	$ 0.26
Diluted earnings per share	$ 0.11	$ 0.08	$ 0.30	$ 0.25
Weighted average number of common shares outstanding-denominator used for basic per share computations	3,490	3,507	3,502	3,507
Weighted average number of dilutive stock options outstanding	114	291	109	133
Denominator used for diluted per share computations	3,604	3,798	3,611	3,640

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See notes to condensed consolidated financial statements.

ACME UNITED CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(all amounts in thousands)

	Nine Months Ended September 30	
	2001	2000
Operating Activities:		
Net income	$ 1,100	$ 923
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation	505	473
Amortization	101	115
Loss on disposals of property, plant, and equipment	334	148
Gain on sale of marketable equity securities	(475)	-
Changes in operating assets and liabilities:		
Accounts receivable	(2,846)	(838)
Inventories	1,325	(1,805)
Prepaid expenses and other current assets	(383)	(177)
Other assets	(50)	(369)
Accounts payable	144	(214)
Other accrued liabilities	(113)	973
Total adjustments	(1,458)	(1,694)
Net cash used by operating activities	(358)	(771)
Investing Activities:		
Capital expenditures	(202)	(384)
Proceeds from sale of property, plant, and equipment	140	286
Proceeds from sale of marketable equity securities	475	-
Net cash provided (used) by investing activities	413	(98)
Financing Activities:		
Net short term borrowings	886	1,311
Borrowings of long term debt	-	1,025
Payments of long term debt	(59)	(1,449)
Debt issuance costs	(27)	(168)
Repurchase of 55,200 Common shares for treasury	(161)	-
Net cash provided by financing activities	639	719
Effect of exchange rate changes	(77)	109
Change in cash and cash equivalents	617	(41)
Cash and cash equivalents at beginning of period	22	88
Cash and cash equivalents at end of period	$ 639	$ 47

See notes to condensed consolidated financial statements.

Notes to CONDENSED CONSOLIDATED Financial Statements

(Unaudited)

Note 1 -- Basis of Presentation

In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments necessary to present fairly the financial position, results of operations and cash flows. However, the financial statements do not include all of the disclosures normally required by accounting principles generally accepted in the United States or those normally made in the Company's annual report on Form 10-K. Please refer to the Company's annual report on Form 10-K for the year ended December 31, 2000 for such disclosures. The condensed consolidated balance sheet as of December 31, 2000 was derived from the audited consolidated balance sheet as of that date. Results of operations for interim period are not necessarily indicative of the results to be expected for the full year.

Note 2 -- Contingencies

The Company has been involved in certain environmental and other matters. Additionally, the Company has been involved in numerous legal actions relating to the use of certain latex products, which the Company distributes, but does not manufacture. The Company is one of many defendants. The Company has been released from the majority of the lawsuits. While several lawsuits remain, they are still in preliminary stages and it has not been determined whether the Company's products were involved. Based on information available, the Company believes there will not be a material adverse impact on financial position, results of operations, or liquidity, from these matters, either individually or in aggregate.

Note 3 -- New Accounting Standards

As of January 1, 2001, the Company adopted Financial Accounting Standards Board Statement No.133, Accounting for Derivative Instruments and Hedging Activities (Statement 133) which was issued in June, 1998 and its amendments Statements 137, Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133, and 138, Accounting for Derivative Instruments and Certain Hedging Activities, issued in June 1999 and June 2000, respectively (collectively referred to as Statement 133).

As a result of adoption of Statement 133, the Company recognizes all derivative financial instruments, such as interest rate swap contracts and foreign exchange contracts, in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Changes in the fair value of derivative financial instruments are either recognized periodically in operations or in shareholders' equity as a component of accumulated comprehensive income depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value hedge or cash flow hedge. Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in operations along with the portions of the changes in the fair values of the hedged items that relate to the hedged risk(s). Changes in fair values of derivatives accounted for as cash flow hedges, to the extent they are effective as hedges, are recorded in other comprehensive income net of deferred income taxes. Changes in fair value of derivatives used as hedges of the net investment in foreign operations are reported in other comprehensive income as part of the cumulative translation adjustment. Changes in fair values of derivatives not qualifying as hedges are reported in operations.

The adoption of Statement 133 resulted in a cumulative effect of an accounting change of $104,000 decrease to other comprehensive income.

Prior to January 1, 2001, the Company also used interest rate swap contracts and foreign exchange contracts for hedging purposes. For interest rate swaps, the net amounts paid or received and net amounts accrued through the end of the accounting period were included in interest expense. Unrealized gains or losses on interest rate swap contracts were not recognized in operations. For foreign currency forward contracts hedging firm commitments, the effects of movements in currency exchange rates on those instruments were recognized when the related operating revenue was recognized. Realized gains and losses were included in other assets and liabilities and recognized in operations when the future transaction occurred or at the time the transaction was no longer expected to occur.

In April 2001, the Emerging Issues Task Force issued consensus No. 00-25, Vendor

Income Statement Characterization of Consideration from a Vendor to Retailer (EITF 00-25), which concludes that consideration paid by a company to a reseller of its product is presumed to be a reduction of the selling price of the company's product and, therefore, should be characterized as a reduction of revenue when recognized in the company's income statement. The presumption is overcome and the consideration should be characterized as a cost incurred if, and to the extent that, an identifiable benefit is or will be received from the reseller in return for the consideration and that the company can reasonably estimate the fair value of that benefit. The adoption of EITF 00-25 will have no effect on net income. Selling, general and administrative expenses in the accompanying financial statements include $652,000 and $560,000 for the three month periods ended September 30, 2001 and 2000, respectively, and $2,324,000 and $1,661,000 for the nine month periods ended September 30, 2001 and 2000, respectively, of consideration paid to retailers. Such consideration will be classified as a reduction of sales when provisions of EIFT 00-25 are applied as required, effective January 1, 2002 for the applicable periods presented.

Note 4 -- Investment

The Company previously held a single investment in marketable equity securities with a nominal cost. During the three months ended September 30, 2001, the Company sold these securities and realized a gain of $475,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Net Sales

Traditionally, the Company's sales are stronger in the second and third quarters, and weaker in the first and fourth quarters of the fiscal year due to the seasonal nature of the business specific to the back-to-school season. Consolidated net sales for the quarter ended September 30, 2001 were $9,014,000 compared with $8,760,000 for 2000, a 3% increase. Excluding negative effects from foreign currency fluctuations, net sales would have increased 4% for the third quarter. Net sales for the first nine months of 2001 were $27,606,000 compared with $27,003,000 for 2000, a 2% increase. Excluding negative effects from foreign currency fluctuations, year-to-date net sales would have increased 4%.

Domestic sales increased 13% in the third quarter of 2001 compared with the same period in 2000. Strong market share gains in the super stores and the mass market more than offset some weakness in the commercial segment, which has been negatively impacted by the U.S. economy. Sales domestically for the first nine months of 2001 increased 8% over the prior period. International sales for the third quarter of 2001 were 18% below 2000 levels, 3% of the loss was due to the negative impact of foreign currency fluctuations. International sales for the first nine months were 11% below prior year levels. International sales would have been flat with previous year levels excluding the significant drop in the country currencies in which Acme operates.

Gross Profit

Gross profit for the third quarter of 2001 was $3,471,000 (38.5% of net sales) compared to $3,148,000 (35.9% of net sales) for the third quarter of 2000. Gross profit for the first nine months of 2001 was 37.6% of net sales compared to 34.7% in the same period of 2000. The introduction of new products, coupled with improved operating efficiencies in the USA, were the main reasons for the improved gross margins.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses for the third quarter of 2001 were $2,834,000 (31.4% of net sales) compared with $2,452,000 (28.0% of net sales) for the same period of 2000, an increase of $382,000. Strategic advertising investment was the main reason for the increase. SG&A expenses were 31.5% of net sales for the first nine months of 2001 versus 28.2% in the comparable period of 2000.

Other Income (Expense)

Other income (expense) included in the third quarter of 2001, a gain of $475,000 on the sale of marketable equity securities and a loss of $398,000 on disposals of property, plant and equipment.

Income

Net income for the third quarter of 2001 is $405,000, (an increase of 34%) or 11 cents per share (diluted) compared to a net income of $302,000, or 8 cents per share (diluted) for the same period of 2000. Net income for the first nine months is $1,100,000, (an increase of 19%) or 30 cents per share (diluted) compared to net income of $923,000, or 25 cents per share (diluted).

Financial Condition

Liquidity and Capital Resources

The Company's working capital, current ratio and long term debt to equity ratio follow:

	September 30, 2001	December 31, 2000
Working capital..................	$10,045,000	$8,462,000
Current ratio....................	2.13 to 1	2.06 to 1
Long term debt to equity ratio....	.57	.62

During the first nine months of 2001, total debt increased by $800,000 compared to total debt at December 31, 2000 as a result of additional borrowings to finance higher inventory levels and accounts receivable due to seasonal sales volume. At September 30, 2001, advances to suppliers were approximately $252,000 and are included with prepaid expenses and other current assets.

Cash expected to be generated from operating activities, together with funds available under an existing loan agreement, is expected, under current conditions, to be sufficient to finance the Company's planned operations for the next 12 months. Over that same period, the Company does not expect to make significant investments in plant, property, and equipment.

Pending Adoption of Accounting Standard

In April 2001, the Emerging Issues Task Force issued consensus No. 00-25, Vendor Income Statement Characterization of Consideration from a Vendor to Retailer (EITF 00-25), which concludes that consideration paid by a company to a reseller of its product is presumed to be a reduction of the selling price of the company's product and, therefore, should be characterized as a reduction of revenue when recognized in the company's income statement. The presumption is overcome and the consideration should be characterized as a cost incurred if, and to the extent that, an identifiable benefit is or will be received from the reseller in return for the consideration and that the company can reasonably estimate the fair value of that benefit. The adoption of EITF 00-25 will have no effect on net income. Selling, general and administrative expenses in the accompanying financial statements include $652,000 and $560,000 for the three month periods ended September 30, 2001 and 2000, respectively, and $2,324,000 and $1,661,000 for the nine month periods ended September 30, 2001 and 2000, respectively, of consideration paid to retailers. Such consideration will be classified as a reduction of sales when provisions of EIFT 00-25 are applied as required, effective January 1, 2002 for the applicable periods presented.

Safe Harbor for Forward-looking Statements

Forward-looking statements in this report, including without limitation, statements related to the Company's plans, strategies, objectives, expectations, intentions and adequacy of resources, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements involve risks and uncertainties including without limitation the following: (i) the Company's plans, strategies, objectives, expectations and intentions are subject to change at any time at the discretion of the Company; (ii) the Company's plans and results of operations will be affected by the Company's ability to manage its growth and inventory; and (iii) other risks and uncertainties indicated from time to time in the Company's filings with the Securities and Exchange Commission.

PART II. OTHER INFORMATION

Item 1 -- Legal Proceedings

None.

Item 2 -- Changes in Securities

None.

Item 3 -- Defaults Upon Senior Securities

None.

Item 4-- Submission of Matters to a Vote of Security Holders

None.

Item 5 -- Other Information

None.

Item 6 -- Exhibits and Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ACME UNITED CORPORATION

By /s/ WALTER C. JOHNSEN

Walter C. Johnsen
President and
Chief Executive Officer

Dated: October 31, 2001

By /s/ RONALD P. DAVANZO

Ronald P. Davanzo
Vice President and
Chief Financial Officer

Dated: October 31, 2001